

**2006 RETIREE DRUG SUBSIDY DISBURSEMENT ADMINISTRATIVE COST ESTIMATES
Pro Forma**

The 2006 Retiree Drug Subsidy (RDS) administrative cost estimates for the disbursements outlined in the November 2005 Health Benefits Committee agenda item are as follows:

Methods A-1 – A-4

Staffing Requirements

\$550,000

Staff tasks, for 6.5 positions, include development of the data files to submit to RDS, reconciliation of data errors, monthly calculation and billing for the subsidy, eligibility and claims data reconciliation, and system enhancements.

Information Technology

\$ 50,000

Information Technology requirements include development and maintenance of a database for 1,100 contracting agency employers. Staff based the estimated costs on previous databases and systems developed by the CalPERS Information Technology Services Branch and external consultants.

Increased Core Workload Absorbed by Existing Staff

\$ 50,000

Increased core workload to be absorbed by existing staff includes projected staff costs to perform oversight of the accounts payable system. Oversight responsibilities will include preparation of check processing, reconciliation tasks, and analyzing financial information to prepare entries to accounts.

Health Plan Fees

\$225,000

Caremark will electronically submit its pharmacy files to RDS. Staff based these costs on \$0.20 per member per month for 90,000 members. The health plans will pass these costs on to CalPERS.

Total Estimated Costs for Methods A-1 – A-4

\$875,000

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Methods B-1, C-1, and C-4

Staffing Requirements

\$550,000

Staff tasks, for 6.5 positions, include development of the data files to submit to RDS, reconciliation of data errors, monthly calculation and billing for the subsidy, eligibility and claims data reconciliation, and system enhancements.

Health Plan Fees

\$225,000

Caremark will electronically submit its pharmacy files to RDS. Staff based these costs on \$0.20 per member per month for 90,000 members. The health plans will pass these costs on to CalPERS.

Total Estimated Costs for Methods B-1, C-1, and C-4

\$775,000

Method C-3

Staffing Requirements

\$550,000

Staff tasks, for 6.5 positions, include development of the data files to submit to RDS, reconciliation of data errors, monthly calculation and billing for the subsidy, eligibility and claims data reconciliation, and system enhancements.

Health Plan Fees

\$275,000

Caremark will electronically submit its pharmacy files to RDS. Staff based these costs on \$0.20 per member per month for 90,000 members. The health plans estimate at least \$50,000 to issue and track the prescription drug co-payment discount vouchers. The health plans will pass these costs on to CalPERS.

Total Estimated Costs for Method C-3

\$825,000

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Method C-2

Staffing Requirements	\$550,000
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Staff tasks, for 6.5 positions, include development of the data files to submit to RDS, reconciliation of data errors, monthly calculation and billing for the subsidy, eligibility and claims data reconciliation, and system enhancements.

Information Technology	\$650,000
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Information Technology requirements include development and maintenance of a database system for 1,100 contracting agency employers and design of a database to issue checks to 70,000 subscriber recipients, development of information technology interfaces (CalPERS to State Controller's Office), and project management oversight. Staff based the estimated costs on previous databases and systems developed by the CalPERS Information Technology Services Branch and external consultants.

Increased Core Workload Absorbed by Existing Staff	\$ 50,000
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Increased core workload to be absorbed by existing staff includes projected staff costs to perform oversight of the accounts payable system. Oversight responsibilities will include preparation of check processing, reconciliation tasks, and analyzing financial information to prepare entries to accounts.

Health Plan Fees	\$225,000
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Caremark will electronically submit its pharmacy files to RDS. Staff based these costs on \$0.20 per member per month for 90,000 members. The health plans will pass these costs on to CalPERS.

State Controller's Office Fees	\$ 25,000
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The State Controller's Office will charge CalPERS \$0.35 to issue a warrant. Dollar amount is based on issuing 70,000 warrants once a year.

Total Estimated Costs for Method C-2	<u>\$1,500,000</u>
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